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BY A. KISSINGER
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MEMORANDUM

September 5, 1973

TO: Dr. Henry A. Kissinger
Secretary-designate

FROM:  Daniel P. Moynihan
Ambassador to India

SUBJECT: Possible American Initiatives Toward India

Here is the list of possible American initiatives toward India for which you asked. They are grouped under Atmospherics, Political Support, and Economic Support. The Advantages and Disadvantages of each move are summarized.

In general, the balance of the argument is with the Disadvantages. (One exception: A visit by you or George Shultz to sign a rupee agreement.) This outcome corresponds closely -- as presumedly it ought -- to a Six Month exercise we carried out in mid-August, asking how we were doing, with a special prize for the nastiest answer. The consensus was that we are doing all right enough, that we have restored relations to a correct level of cordiality, and that we have genuinely impressed the Indians with our desire to create a new and enduring relationship. However, we do not think we have got across any concept of what a new relationship might be other than a version of the "old," idealized relationship of the early 1960s. This is not altogether our fault. Indians have but little feel for American realities. But it is nonetheless partly our fault. From the time I arrived we have been going to the Indians with proposals for things we might do together. We have been tough, even brutal about actions and statements on their part which do not please us. (Thus, when they were getting set to have a small CIA subversion scandal early in the spring, I told them that if the young man being accused was sent home I would go home with him, and would give no guarantees whatever as to when or whether a successor would be appointed. They stopped.) But still, it is we who have presented aide-memoires on rupees, on development assistance, on trade expansion. So far, they have not responded to any save the rupee proposal. Accordingly, toward the end of August we adopted a policy taking no further initiatives. It is now, we feel, their move.

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I would call attention, however, to a new American role in India, that of Creditor. Over the next five years, Indian dollar debt service paid to the United States will average \$130 million per year, 30 percent of their earnings from exports to the US. I see no way for us to avoid becoming a net recipient of Indian aid (sic) unless we go in for debt rescheduling on a large scale, a move Treasury will understandably resist. (The administration envisaged \$75 million in development loans for India this year; the Senate has approved \$28 million for the world. The West Germans will give ~~India~~ \$126 million this year, three to four times as much aid to India as we are likely to provide.) We can and will argue that we contribute through the World Bank and other such institutions, but it will be a tough point to make. We think a balance of payments crisis is at least a possibility. (Everyone else in Delhi thinks it inevitable.) I would anticipate a general move for a debt moratorium or even debt repudiation. In the meantime ~~the~~ economy will deteriorate and trade will not expand.

These latter considerations argue against being too passive, even at the risk of giving the Indians the wrong impression. I assume we do not want to end up looking as if we are contributing, and deliberately so, to the woes of the subcontinent which seemingly must now grow even worse.

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A. ATMOSPHERICS

PRO: In general:

(a) Moves involving atmospherics are easy to make in that they entail no bureaucratic or Congressional authorization for political action or resource allocation.

(b) The Indians like atmospherics and such moves could make a broad, positive impression in India and provide a framework in which Indian policy-makers can make decisions favorable to the US on a variety of small issues as they come up.

CON: (a) Improving atmospherics could raise Indian expectations that the US is prepared to follow through on concrete political and economic issues to a greater extent than we would be willing to do.

1. Specific atmospherics: A continuing correspondence on Indo-US relations between Mrs. Gandhi and President Nixon.

PRO: (a) Provides a framework for serious high-level exchange of views on Indo-US relations.

(b) Contributes to a responsible dialogue by encouraging the Indians to channel suggestions and complaints to us through official correspondence rather than through public posturing.

CON: (a) An ongoing correspondence of this sort tends to become "taken for granted" and simply a staff-level chore when there might be nothing to say; when there is nothing to say, the absence of correspondence could be taken as a negative signal.

(b) This is already being done, in substance, through Dr. Kissinger and Ambassador Kaul; and Ambassador Moynihan and P. N. Dhar -- a much better route.

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2. Following a rupee settlement, put out a statement on Indo-US relations which would amount to a sort of "principles for Indo-US relations." This could be done through either an exchange of letters between the President and Mrs. Gandhi, a communique during a high-level US visit (perhaps by Secretary Shultz or Secretary Kissinger) timed to coincide with the signing of the settlement.

- PRO:
- (a) Would clearly put the time of troubles behind us and provide a positive framework for future Indo-US relations.
 - (b) A carefully drafted document would be favorably received in India.
 - (c) It could offer India a balance to the Indo-Soviet treaty and publicly highlight and encourage balance in future Indian relations vis-a-vis the USSR and the US.
 - (d) It could have broader utility for the US in that it would highlight our readiness to establish principles for relations with the largest third-world country after we had taken such a step with respect to the Soviets, and to China in the Shanghai communique.
- CON:
- (a) Since the Indians are the way they are, any such guidelines could provide a measuring stick for criticizing US actions with regard to India, its neighbors, or the Indian Ocean that the Indians don't like.
 - (b) Would unduly arouse Indian expectations.

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(b) Advanced weapons in India's arsenal are Soviet and our action would run counter to the restraint we have urged on the Soviets in the provision of arms to the subcontinent.

(c) Indians will assume we are ending arms embargo mainly to help Pakistan, not India.

2. Offer more explicit US assurances regarding non-transfer of arms from Iran to Pakistan.

PRO: (a) Would reassure Indians on matter with which they are obsessed at little cost to us or Iran since situation in which Iran says it would transfer arms unlikely to occur.

(b) Might allow us to make political capital out of Congressional action on this issue (Magnuson Bill).

(c) There has still not been an acknowledgement to the Indian Ambassador by the Secretary or Deputy Secretary that our law prohibits such exchanges. Such an acknowledgment by one of them when the subject next comes up might help relieve Indian fears.

CON: (a) The possibility of transfers from Iran is not an openly hot issue between the US and India right now; the Indians are trying to protect themselves on this in the way we want them to, i.e., by improving relations with Iran; if we come forward with further assurances now, we may just turn the Indian search for protection back to promises by the US.

(b) We might open ourselves up to sharper backlash in the event of any Iranian arms transfers to Pakistan.

NOTE: Indian officials claim there were some transfers in 1971 and a recent INR document supports this. They ask what we have done about those. We have no reply, and this makes citing the law sound rather hollow.

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3. Make a statement highlighting our recognition of India's pre-eminent position in the subcontinent and our willingness to do business with the area in terms of the 'new realities.' This might be simply an expansion and fleshing out of the President's 1973 policy statement and what you have already told the Indians.

PRO: (a) The Indians would welcome this as meeting their position on the central issue of their own foreign policy.

CON: (a) We have already said as much and gone as far as we should to meet the Indians on this.

(b) Such a statement might needlessly make India's neighbors bristle.

(c) Practice is more important than polemic here. India knows we no longer see our interest in at least one of these countries (Nepal) as derivative of our interest in India. We are not going to allow an Indian veto on our relations. We are already careful to inform the Indians in Kathmandu, Colombo and Dacca of our programs; the only additional effort we could make would be to tell the Indians more in Delhi.

(d) Indians might suspect we are trying to portray them as having expansionist, hegemonic intentions in South Asia. They already have reacted adversely to comments on India's new power status.

4. Indicate our desire for closer political cooperation and consultation on international issues and our intention to support India on issues important to India when we can.

PRO: (a) There are likely to be occasions when India wants our help on getting its nominees in international offices and in supporting Indian positions in various conferences; we can probably help on some of these issues and we can point them out as illustrative of our cooperation.

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(b) Will help us obtain guids pro quo on issues where we want Indian help.

CON: (a) There will continue to be many issues and UN resolutions where the balance of our interest will lead us not to support India and vice versa.

(b) If a dramatic indication of improved Indo-US relations is wanted, this does not fill the bill.

5. Promote and support a permanent Indian seat on the UN Security Council.

PRO: (a) The Indians would be flattered by such a dramatic demonstration of the significance the US attaches to the Indian voice in international and UN affairs.

(b) Such a move might marginally undercut rumblings in India that it needs the bomb to be taken seriously.

CON: (a) On balance, the Indians may not want a permanent UNSC seat at this time since it would place them on the firing line regarding international issues they would rather sidestep. They have said nothing about this recently.

(b) This move could be a disaster in light of a variety of factors relating to the dynamics of the UN, our recently enunciated support of a permanent Security Council seat for Japan, and the unpredictability of India on the Council.

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6. Offer to support a more prominent Indian role in Southeast Asian affairs.

PRO: (a) This might marginally help India develop a constructive relationship with Southeast Asian countries in the post-Viet-Nam period.

(b) It might assuage Indian feelings (which are not strong) over being shut out of a voice in Southeast Asian affairs by the US (our opposition to Indian participation in the new International Control Commission for Viet-Nam); what some Indians see as US-Chinese plans to settle the future of Southeast Asia; and proposals to expand the Western-oriented Association of Southeast Asian nations.

CON: (a) Such a move would be viewed with puzzlement and suspicion by Southeast Asian countries which dislike and mistrust India.

(b) The limitations on India's capacity to participate in Southeast Asian affairs was set by its own weakness, lack of consistent interest in the area, and preoccupation with South Asia; it would be quixotic for us to take up the cudgels for India on this.

7. Make a statement indicating our recognition of the importance of India in the Indian Ocean context and our willingness to consult and cooperate with India regarding international issues and our own actions relating to this area. This statement might refer specifically to the Indian Ocean Zone of Peace proposal, question of US bases for military operation, or fleet movements in the area.

PRO: (a) This might stimulate Indian interest in accommodating the US on issues important to us in the Indian Ocean rather than confronting us head on through their posture on no bases by outside powers, etc.

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CON: (a) This could complicate our ability to manage and downplay with the Indians postures that they take for domestic and "non-aligned" reasons regarding US bases and military activities in the area.

8. Tell the Indians that after the POWs are returned we will encourage the Chinese to improve relations with India.

PRO: (a) This might marginally undercut residual Indian suspicions that the US and China are conspiring against India.

CON: (a) The Chinese are going to do this anyway and the Indians know it.

(b) Because of the greater importance of our bilateral relations with the USSR and with China, we should not insert ourselves into their triangular maneuverings and suspicions.

9. Propose another round of Indo-US bilateral talks.

PRO: (a) Since these were held in 1968 and 1969 but postponed in 1971, this would be a concrete indication that 1971 has been put behind us.

(b) The talks could be as substantive as desired. (The first two rounds followed the general formula of each side stating its position on world issues. It had been proposed that the 1971 round get down to specifics of the Indo-US relationship, but they were never held.)

CON: (a) Such talks aren't much use unless they are specific, and we can handle the specifics just as well by discussions by the Ambassador here in Delhi.

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(b) Maybe holding them would be too much of an indication of a return to the status quo ante.

(c) The talks in the past have more often generated heat, not light.

10. Propose reconsideration of a Treaty of Friendship, Commerce and Navigation.

PRO: (a) It would be symbolic of improved relations.

(b) The substance, which mainly concerns trade and investment, would mesh nicely with our emphasis on a new economic relationship in which aid plays a much smaller role.

(c) The GOI might be interested in the general idea of a broad agreement of friendship as a counterweight to the treaty with the Soviet Union.

CON: (a) We follow a fairly rigid format for such treaties -- a format which the Indians in the past have rejected. One point of particular difficulty concerns our provision about independent determination of compensation in the case of expropriation. This clashes with the Indian constitutional requirement that Parliament is supreme when it comes to setting compensation. Ambassador Jha raised with us the possibility of some kind of agreement about the time when India signed its treaty with the Soviet Union. He dropped it when we went over our format with him. Since then there has been the constitutional amendment re-establishing Parliamentary primacy in setting compensation.

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11. Respond favorably to Ambassador Kaul's suggestion of a cultural exchange agreement.

- PRO: (a) This would ensure that at least the amount of exchange specified in the agreement takes place. Presumably this would mean an expansion of the current low level of American academic travel to India and resumption of travel to the United States by Indian politicians and journalists under the International Visitor Program. It might also help get American films and cultural presentations into India.
- (b) It would help end Indian suspicion that our programs are somehow subversive.
- CON: (a) We have such agreements mainly with communist states because these states wish to maintain extremely rigid control over exchanges.
- (b) Many of the things -- such as exchange of films and cultural presentations -- simply wouldn't work.

C. ECONOMIC COOPERATION AND ASSISTANCE

1. Take the lead in supporting the FAO proposal for establishing an emergency food stockpile, perhaps including a major storage facility for South Asia and India.

- PRO: (a) Demonstrate to the Indians that we have a sincere concern in assuring a fair share of the world's foodstuff for emergency distribution in countries like India.
- CON: (a) In order to bring off such a world food bank, the US might have to bear a disproportionate share of the financial and the material cost of the plan.
- (b) Locating the storage factory in India might make it difficult to get food out of India to meet a shortage elsewhere if India were also short on food.

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2. US support for an AID/SDR link.

PRO: (a) India would view this as a major concession to its need and desire to have liquidity transferred to developing countries.

CON: (a) This reversal would be against what the Treasury Department considers to be in the best interest of the US and would undermine the role of SDR's in a reformed monetary system.

3. US Government support and guarantees for large-scale US private investment in India under terms and conditions acceptable to the GOI, probably primarily to public sector firms or in the natural resource field.

PRO: (a) Would furnish India with capital it badly needs to exploit its underdeveloped mineral resources.

(b) Letting India choose the modalities would remove fears of exploitation from foreign investment.

CON: (a) Would be difficult to interest US investors, even with OPIC or other guarantees and with Export-Import Bank financing, if the GOI determines operating conditions and repatriation rights.

(b) Would involve the USG heavily in investment matters and set a dangerous precedent for our investments elsewhere.

4. USG help to get India the American technology it desires with royalties and other costs paid by the USG.

PRO: (a) Furnishing India technology useful to it at its stage of development without strings or cost attached would be warmly welcomed.

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CON: (a) Apart from the Government budgetary expense, US firms would be reluctant to part with good technology without some control over the way it is used.

(b) American trade unions might look on this as an export of jobs financed by the American tax payer.

5. A joint Indo-US economic commission.

PRO: (a) A high-level joint economic commission would please India by demonstrating genuine US interest in India.

(b) Provide a forum for discussion of bilateral problems and opportunities.

CON: (a) The Indians might use this as a vehicle for floating unacceptable bilateral and other initiatives.

(b) Would lead to pressures for similar joint economic commissions with other countries, e.g. Pakistan.

(c) Unless the joint economic commission actually accomplished something, it could be counterproductive.

6. Support India's aspiration in international trade and tariff.

PRO: (a) Many US and Indian objectives in the international trade front are similar, e.g., our mutual opposition to reverse preference arrangements.

(b) Giving India and other LDC's better access to US and other industrial countries' markets would be warmly welcomed by India.

CON: (a) India might press for an annual trade plan (a la rupee bloc) and this would be unacceptable to us.

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7. Offer Mrs. Gandhi a major and special joint US-India program to make India self-sufficient in agricultural production. Such a program might include: provision of fertilizer; investment in new fertilizer plants; investment in new power plants for rural electrification; help for tube wells and other irrigation facilities; research on new seeds, etc. The US could provide a maximum of financing and minimum of technical assistance (no intrusiveness).

PRO: (a) This is a limited, desirable field of economic assistance in which we could make an impact.

(b) Would be popular both in India and at home.

CON: (a) Without a proper atmosphere it could lead us into the same sort of misunderstandings that have characterized Indo-American relations in the past.

8. Propose a double-taxation agreement.

PRO: (a) This would simplify life for American businessmen, journalists, etc., living in India and would, as a result, encourage trade and investment. (GOI "Indianization" requirements would presumably continue.) It would also probably simplify things for the estimated 300,000 Indian nationals in the US.

(b) We just signed such an agreement with the Soviet Union. This might both reduce Indian opposition and increase the symbolic value.

CON: (a) There isn't much in it for an India which doesn't want imports or investment from the U.S. and which isn't interested in a large American presence in India.

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9. A substantial one time grant of fertilizer.

- PRO: (a) This would give the Indians almost immediate help in an area in which they need it badly. They have a fertilizer purchasing mission in the US now.
- (b) This offer would emphasize Indian self-sufficiency, i.e., grow it here.
- CON: (a) Fertilizer is in very short supply in the US and would be hard to find.
- (b) This would be aid before the Indians had asked or established the proper atmosphere.

10. An immediate and substantial (\$75 million) development loan for commodity assistance to India.

- PRO: (a) This is help where the Indians need it most (balance of payments) and when the Indians need it most.
- (b) This will be the least intrusive form of aid; the Indians would have the maximum flexibility in regard to using it.
- CON: (a) This would get us back to the old style of aid and US-India relations and overturn our present strategy.
- (b) This would also return us to a type of assistance the economic effectiveness of which is very doubtful.

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